

**Community Futures
Peace Country
Financial Statements**

March 31, 2019

Community Futures Peace Country

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Year Ended March 31, 2018

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Independent Auditor's Report

To the Board of Community Futures Peace Country:

Opinion

We have audited the financial statements of Community Futures Peace Country (the "Organization"), which comprise the statement of financial position as at March 31, 2019, the results of its operations, change in unrestricted and restricted fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Peace River, Alberta

June 17, 2019

MNP **LLP**

Chartered Professional Accountants


MNP

Community Futures Peace Country
Statement of Financial Position

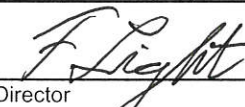
As at March 31, 2019

	<i>Loan Investment Funds</i>				2019	<i>2018</i>
	<i>General</i>					
	<i>Fund</i>	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>		
Assets						
Current						
Cash in bank and short term investments	188,600	162,260	273,147	54,907	678,914	656,991
Accounts receivable	31,795	36,256	39,028	1,345	108,424	72,365
Prepaid expenses	2,529	-	-	-	2,529	2,529
Assets held for resale	-	100,000	-	-	100,000	-
Current portion of loans	-	384,073	105,994	47,611	537,678	546,993
	222,924	682,589	418,169	103,863	1,427,545	1,278,878
Property and equipment (Note 3)	299,405	-	-	-	299,405	309,707
Investment loans receivable						
net of allowance for credit loss (Note 5)	-	2,227,695	667,265	174,762	3,069,722	3,131,495
Less: current portion	-	(384,073)	(105,994)	(47,611)	(537,678)	(546,993)
	-	1,843,622	561,271	127,151	2,532,044	2,584,502
Total assets	522,329	2,526,211	979,440	231,014	4,258,994	4,173,087
Liabilities and fund balances						
Current						
Short-term debt (Note 7)	-	100,000	-	-	100,000	250,000
Accounts payable (Note 8)	54,514	464	17,940	-	72,918	54,087
Deferred revenue (Note 11)	38,518	-	-	-	38,518	17,148
Current portion of long-term debt (Note 12)	17,533	-	-	-	17,533	17,533
	110,565	100,464	17,940	-	228,969	338,768
Long-term debt (Note 12)	71,595	-	-	-	71,595	89,129
	182,160	100,464	17,940	-	300,564	427,897
Fund Balances						
Invested in property and equipment	210,277	-	-	-	210,277	203,045
Externally restricted (Note 6)	-	2,425,747	961,500	231,014	3,618,261	3,414,208
Unrestricted	129,892	-	-	-	129,892	127,937
	340,169	2,425,747	961,500	231,014	3,958,430	3,745,190
Total liabilities and fund balances	522,329	2,526,211	979,440	231,014	4,258,994	4,173,087

Approved on behalf of the Board



Director



Director

See accompanying notes to the financial statements

Community Futures Peace Country
Statement of Earnings (Loss) and Changes in Unrestricted Fund Balance

Year Ended March 31, 2019

	2019	2018
Revenue		
WD contribution	309,963	309,963
Bank interest	743	1,940
Program revenues (Note 10)	38,387	34,306
Loan and technical fees	11,450	12,025
	360,543	358,234
Operating expenses		
Advertising and promotion	2,205	5,618
Amortization	10,302	10,302
Bad debt	350	-
Bank charges	1,102	596
Board members expenses	6,257	10,101
Books and publications	38	151
CED expenses	3,000	300
Contractor expenses	50,571	51,261
Insurance and memberships	4,931	5,226
Janitorial	8,351	8,212
Legal and audit fees	15,645	15,328
Loan expenses	2,452	2,668
Long term interest	4,625	4,645
Meeting expenses	2,265	2,866
Non-refundable GST	3,686	4,056
Office supplies and postage	10,506	10,026
Repairs and maintenance	780	6,914
Salaries and benefits	184,598	187,720
Small equipment and furniture	48	384
Special projects - other	39,133	29,378
Staff development	727	1,735
Staff travel	5,241	6,942
Utilities	12,484	13,666
	369,297	378,095
Net earnings (loss) for the year	(8,754)	(19,861)
Unrestricted Net Assets, beginning of year	127,937	138,649
Transfer from restricted fund	17,940	16,380
Transfer to/from investment in property and equipment	(7,231)	(7,231)
Unrestricted Net Assets, end of year	129,892	127,937

See accompanying notes to the financial statements

Community Futures Peace Country
Statement of Earnings and Changes in Restricted Fund Balances

Year Ended March 31, 2019

	<u>Loan Investment Funds</u>			2019	2018
	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>		
Revenue					
Interest and fees on investments and bank account	-	-	-	-	-
Investment fees	8,901	-	-	8,901	2,250
Interest on loans	208,226	73,908	16,955	299,089	290,538
	217,127	73,908	16,955	307,990	292,788
Expenses					
Bank and investment charges	28,068	-	-	28,068	1,945
Long term interest - CFLIP	9,334	-	-	9,334	11,070
Bad debts (recoveries)	38,099	6,952	3,421	48,472	72,336
GST expense	123	-	-	123	40
	75,624	6,952	3,421	85,997	85,391
Net earnings for the year	141,503	66,956	13,534	221,993	207,397
Interfund transfers	(3,293)	741	2,552	-	-
Transfer to general fund	-	(17,940)	-	(17,940)	(16,380)
Earned fund balance, beginning of year <i>(Note 6)</i>	1,450,037	561,743	14,928	2,026,708	1,835,691
Earned fund balance, end of year <i>(Note 6)</i>	1,588,247	611,500	31,014	2,230,761	2,026,708
Original contributions	837,500	350,000	200,000	1,387,500	1,387,500
Total fund balance, end of year <i>(Note 6)</i>	2,425,747	961,500	231,014	3,618,261	3,414,208

See accompanying notes to the financial statements

Community Futures Peace Country
Statement of Cash Flows

As at March 31, 2019

	<i>General Fund</i>	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disabled</i>	2019	2018
Cash provided by (used) for the following:						
Operating:						
WD Contribution	309,963	-	-	-	309,963	309,963
Interest received	743	187,699	70,958	13,025	272,425	210,226
Other revenue	70,122	8,901	-	-	79,023	24,092
Investment loan repayments	-	699,753	113,818	54,603	868,174	1,030,199
Investment loan advances	-	(775,000)	(50,000)	(119,500)	(944,500)	(1,109,000)
Interest and investment expenses paid	(5,727)	(37,525)	-	-	(43,252)	(18,296)
Salaries and benefits	(184,838)	-	-	-	(184,838)	(176,725)
Materials and services	(168,002)	463	-	-	(167,539)	(173,603)
	22,261	84,291	134,776	(51,872)	189,456	96,856
Investing:						
Purchases of property and equipment	-	-	-	-	-	-
Transfer out	-	(3,293)	-	-	(3,293)	(40,951)
	-	(3,293)	-	-	(3,293)	(40,951)
Financing:						
Repayment of short term debt	-	(150,000)	-	-	(150,000)	(200,000)
Repayment of long term debt	(17,533)	-	-	-	(17,533)	(17,533)
Transfer in	-	-	741	2,552	3,293	40,951
	(17,533)	(150,000)	741	2,552	(164,240)	(176,582)
Increase (decrease) in cash resources	4,728	(69,002)	135,517	(49,320)	21,923	(120,677)
Cash resources, beginning of year	183,872	231,262	137,630	104,227	656,991	777,668
Cash resources, end of year	188,600	162,260	273,147	54,907	678,914	656,991
Cash resources consists of:						
Cash in bank	188,600	162,260	273,147	54,907	678,914	656,991

See accompanying notes to the financial statements

Community Futures Peace Country

Notes to the Financial Statements

March 31, 2019

1. Purpose of the organization

Community Futures Peace Country is a community-based organization that provides loans and financial services to small businesses that are otherwise unable to obtain financing. The Corporation is incorporated under the Alberta Companies Act as a non-profit organization. It is exempt from income taxes under the Income Tax Act as a non-profit organization.

2. Significant accounting policies

Revenue Recognition — Restricted Fund Method

Community Futures Peace Country follows the restricted method of accounting for contributions.

The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Investment Fund reports restricted resources that are to be used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans from Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs. The organization is restricted in the types of loans that can be made according to its agreement with the federal government.

Property and equipment

Property and equipment acquisitions over \$1,000 are recorded at cost.

Property and equipment are being amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	4 years
Equipment between \$1,000 and \$5,000	5 years
Equipment over \$5,000	10 years
Buildings	30 years

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of Property and Equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Community Futures Peace Country Notes to the Financial Statements

March 31, 2019

2. Significant accounting policies (continued)

Financial Instruments

Held for trading

The Corporation has classified the following financial assets and liabilities as held for trading: cash and short term investments. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date.

Held for trading financial instruments are initially and subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in the statement of revenues and expenses.

Loans and receivables

The Corporation has classified the following financial assets as loans and receivables: trade accounts receivable and long term loans receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate method, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in excess of revenues and expenses upon derecognition or impairment.

Other financial liabilities

The Corporation has classified the following financial liabilities as other financial liabilities: accounts payable and accruals, short-term debt and long term debt. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Community Futures Peace Country

Notes to the Financial Statements

March 31, 2019

2. Significant accounting policies (continued)

Long-lived assets and discontinued operations

Long-lived assets consist of property and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in earnings for the year.

Long-lived assets are classified as held for sale when all of the following criteria are met:

- The Board of Directors, having the authority to approve the action, commits the organization to a plan to sell the assets;
- The asset is available for immediate sale in its present condition;
- The organization has initiated an active program to locate a buyer;
- The sale is probable, and is expected to qualify for recognition as a completed sale within one year;
- The asset is being actively marketed for sale at a reasonable price relative to its fair value; and
- It is unlikely that the plan to sell the asset will be withdrawn or that significant changes will be made to the plan.

Long-lived assets classified as held for sale are initially measured at the lower of the carrying amount and fair value less costs to sell, and are not amortized. Subsequent increases in fair value not in excess of the cumulative loss previously recorded are recognized as gains.

Community Futures Peace Country
Notes to the Financial Statements

March 31, 2019

3. Property and equipment

	<i>Cost</i>	<i>Accumulated Depreciation</i>	2019 Net Book Value	<i>2018 Net Book Value</i>
Building	298,000	99,333	198,667	208,600
Computer equipment	8,373	8,373	-	-
Equipment \$1,000 - \$5,000	24,838	24,100	738	1,107
Equipment over \$5,000	23,859	23,859	-	-
Land	100,000	-	100,000	100,000
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	455,070	155,665	299,405	309,707

4. Allowance for Credit Loss

An allowance for losses on investment loans is made based on expected loan default rates, potential loss ratios and review of loan portfolios, as determined by management, as follows:

	<i>2018 Ending Balance</i>	<i>Written Off</i>	<i>Recovery</i>	<i>Provision for Credit Losses</i>	2019 Ending Balance
Loan Investment Fund - Repayable	430,284	-	(8,910)	145,457	566,831
Loan Investment Fund - Non - Repayable	236,581	-	(4,928)	-	231,653
Loan Investment Fund - Disability	36,573	-	-	3,416	39,989
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	703,438	-	(13,838)	148,873	838,473

Actual write-offs, net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of income and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

5. Loans receivable

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 6% to 10% with monthly principal and interest repayments amortized for terms between 12 and 84 months. Security is taken on these loans as appropriate to the situation, and includes personal guarantees, general security agreements covering business assets and mortgages on land and building. This security is usually subordinated to those of a primary lender.

	<i>Repayable</i>	<i>Non-Repay</i>	<i>Disability</i>	2019 Total	<i>2018 Total</i>
Investment loans receivable	2,794,526	898,918	214,751	3,908,195	3,834,933
Less: Allowance for credit loss (Note 4)	566,831	231,653	39,989	838,473	703,438
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	2,227,695	667,265	174,762	3,069,722	3,131,495

Community Futures Peace Country
Notes to the Financial Statements

March 31, 2019

6. Externally Restricted Fund Balance

	2019	2018
<u>Loan Investment funds</u>		
Loan Investment Funds restricted to loans and Equity		
Investments to entrepreneurs		
Repayable - contributions	837,500	837,500
Repayable - earned	1,588,247	1,450,037
	2,425,747	2,287,537
Non-Repayable - contributions	350,000	350,000
Non-Repayable - earned	611,500	561,743
	961,500	911,743
Disabled - contributions	200,000	200,000
Disabled - earned	31,014	14,928
	231,014	214,928
	3,618,261	3,414,208

Under the terms and conditions of the contribution agreement between the Corporation and the Department of Western Economic Diversification, the Conditionally Repayable Loan Funds are repayable if any of the following conditions occur:

- i. The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or
- ii. Based on reviews and evaluations of the operations and the Conditionally Repayable Investment Fund of the Corporation, the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of Community-owned or controlled businesses, and strengthening of the western Canadian economy; or
- iii. In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or
- iv. The Agreement is Terminated as described in Section 16; or
- v. An event of default occurs, as described in Section 17 of the Agreement; or
- vi. The Minister does not approve terms and conditions to extend the project beyond March 31, 2019.

Community Futures Peace Country Notes to the Financial Statements

March 31, 2019

7. Short-term debt

Short-term debt consists of a line of credit totalling \$1,000,000 (2018 -\$1,000,000) of which \$100,000 was drawn as of March 31, 2019 (2018 – \$250,000). The interest rate included on the line of credit is at prime, effective rate of 3.95% (2018 - prime, effective rate of 3.45%). Funds can be drawn in increments of \$50,000. The line of credit is payable on demand and in any case not later than sixty (60) months following the date of the first loan advance (the loan was first advanced in August 2016). Amount is secured by a demand promissory note executed by the Corporation and related general security agreement securing all assets and undertakings of the borrower.

8. Accounts payable

Included in accounts payable is \$4,850 (2018 - \$4,674) owing to the Receiver General for payroll source deductions.

9. Commitments

As of March 31, 2019, the corporation had one loan (2018 - none) of \$120,000 that was approved but not disbursed.

10. Program revenues

	2019	2018
Special Projects	38,387	34,306

11. Deferred revenue

During the year, the Corporation administered a number of projects in which they received \$21,514 (2018 - \$19,629) in allocations. Opening deferred revenue was \$17,148 (2018 - \$17,985) for a total revenue stream of \$38,662 (2018 - \$37,614). Of this amount, \$25,974 (2018 - \$20,466) was spent on the related projects. The excess contributions over expenses incurred for 2019 is \$12,688 (2018 - \$17,148) for the program revenues. In addition to this, a WD payment of \$25,830 (2018 - none) for April 2019 was received in March and included in deferred revenue.

12. Long term debt

	2019	2018
CIBC building mortgage with monthly principal payments of \$1,461 plus interest at prime plus 1.0%, effective rate of 4.95% (2018 - prime plus 1.0%, effective rate of 4.45%), secured by the related land and building with a net book value of \$298,667 (2018 - \$308,600), maturing 2023.	89,128	106,662
Less: current portion	17,533	17,533
	71,595	89,129

Principal payments over the next five years are as follows:

2019	17,533
2020	17,533
2021	17,533
2022	17,533
2023	17,533

Community Futures Peace Country Notes to the Financial Statements

March 31, 2019

13. Economic Dependence

The Corporation receives 85% (2018 - 87%) of its operating revenue from the federal government and is economically dependant upon it.

14. Financial instruments

The organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.